

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 EB-07 H-02 AID-05 SP-02 OMB-01

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TAGS: EAID, EFIN, AORG, IMF, IBRD

SUBJECT: WORLD BANK/IMF PROPOSALS TO INCREASE SALARIES OF
EXECUTIVE DIRECTORS AND ALTERNATES

1. SENIOR CENTRAL BANK OFFICIAL HAS INFORMED US THAT
LETTERS TO FINANCE MINISTER AND CENTRAL BANK GOVERNOR
(WHICH WERE HAND DELIVERED JULY 15) WERE UNFORTUNATELY
PREEMPTED INASMUCH AS, PRIOR TO RECEIPT, SECRETARY VIRATA
HAD ALREADY CABLED HIS ASSENT TO PROPOSAL THAT SALARIES
OF DIRECTORS AND ALTERNATES BE INCREASED.

2. NOTIFICATION CAME AS NO SURPRISE. WHEN U.S. CONCERNS
WERE DISCUSSED WITH SAME SENIOR OFFICIAL ON JULY 14, HE
HAD INDICATED TO EMBOFFS THAT VIRATA MIGHT TAKE PRECISELY
THIS ACTION. HE SUGGESTED THAT POSITION OF PHILIPPINES
AS BORROWING COUNTRY IS QUITE DIFFERENT FROM THAT OF U.S.
AS LENDING COUNTRY. FORMER MAY BE EXPECTED ALMOST BY
INSTINCT TO SHY AWAY FROM SUPPORTING ACTIONS THAT WILL
BE UNPOPULAR WITH VERY INDIVIDUALS WHO PASS ON APPLICATIONS
FOR CREDIT, WHILE LATTER IS IN FAR BETTER POSITION TO
TAKE FIRM STANCE. OFFICIAL RECOGNIZED THAT EFFECT ON U.S.
CONGRESS OF CONTINUING ROUND OF SALARY INCREASES FOR
INTERNATIONAL CIVIL SERVANTS IS MATTER OF GENUINE CONCERN,
BUT APPEARED THINK IT NOT UNREASONABLE THAT PHILIPPINES
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SHOULD BE SWAYED BY WHAT IT REGARDS AS THE MORE IMMEDIATE

CONSIDERATION OUTLINED ABOVE.

3. IN SUBSEQUENT CONVERSATION ON JULY 20, OFFICIAL SAID THAT, IN THE COURSE OF REVIEWING HIS FILE, HE NOTED THAT WHEN SUBJECT LAST AROSE MALAYSIAN COLLEAGUE HAD COMMENTED TO HIM THAT PRESSURE FOR SALARY INCREASES COMES PRINCIPALLY FROM EUROPEAN DIRECTORS. WITH DEPRECIATION OF DOLLAR RELATIVE TO THEIR OWN CURRENCIES, THESE OFFICIALS HAVE WITNESSED REAL THREAT TO THEIR PURCHASING POWER, PARTICULARLY SINCE THEY MUST BE EXPECTED TO HAVE RECURRING EXPENSES IN THEIR HOME COUNTRIES. (GOP OFFICIAL COMMENTED SMILINGLY, IF GRATUITOUSLY, THAT USG COULD NOT NECESSARILY EXPECT INTERNATIONAL COMMUNITY TO EMULATE U.S. IN FREEZING SALARIES OF SENIOR OFFICIALS SINCE 1969.) MALAYSIAN HAD NOTED THAT PERHAPS WHAT WAS NEEDED WAS A "DOLLAR DEPRECIATION ALLOWANCE". SUCH ALLOWANCE MIGHT SERVE SAME PURPOSE AS SALARY INCREASES WITHOUT DRAWING ANNUAL IRE FROM USG. QUESTION OF COURSE ARISES AGAINST WHICH STANDARD ANY EXCHANGE RATE MOVEMENTS SHOULD BE MEASURED. PERHAPS EXPRESSION OF SALARIES IN SDR'S MIGHT BE SOLUTION.

4. COMMENT: IT IS CLEAR FROM FOREGOING THAT GOP HAD ALREADY MADE UP ITS MIND TO APPROVE SALARY INCREASES. HOWEVER, SINCE THEY FIND THEMSELVES UNCOMFORTABLE IN DEALING WITH U.S. ARGUMENTS DIRECTLY, THE SIMPLEST (AND MOST CHARACTERISTICALLY PHILIPPINE) METHOD OF AVOIDING DISCUSSION ON THE MERITS IS TO SAY DECISION WAS MADE BEFORE U.S. VIEWS BECAME KNOWN. SENIOR CENTRAL BANK OFFICIAL VERY PLAINLY RECOGNIZES THAT THIS POSITION IS NOT ONLY DISINGENOUS BUT HAD NOW BECOME THREADBARE. HOWEVER, WHILE PATH OF EXPEDIENCE. GOP OBVIOUSLY HOPES THAT BY EVADING (HOWEVER TRANSPARENTLY) WHAT IS CLEARLY REGARDS AS RECURRING, PRO FORMA U.S. EXERCISE, IT CAN FINESSE PROBLEM FOR YET ANOTHER YEAR WITH NO HARM DONE. ANOTHER ELEMENT IN GOP THINKING MAY BE VIEW THAT U.S. IS GRADUALLY BECOMING JUST ANOTHER DC; PHILIPPINES MAY THEREFORE BE RELUCTANT TO SUPPORT U.S. RISK OF ANNOYING OTHERS. U.S. WOULD BE TAKEN MORE SERIOUSLY IF WE COULD OBTAIN SUPPORT OTHER DC'S IN MAKING DEMARCHE. ALSO, WE SHOULD MAKE IT LESS EASY FOR COUNTRIES SUCH AS PHILIPPINES TO TAKE REFUGE IN PRETEXT THAT U.S. LIMITED OFFICIAL USE

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REQUEST FOR SUPPORT WAS MADE TOO LATE. PERHAPS POSTS COULD BE ALERTED AS SOON AS, OR EVEN BEFORE PROPOSALS FOR PAY INCREASES ARE SENT TO GOVERNORS. POSTS COULD THEN ALERT GOVERNORS THAT U.S. OBJECTS AND REQUEST THAT THEY DELAY DECISION UNTIL THEY HAD HAD OPPORTUNITY CONSIDER U.S. ARGUMENTATION WHICH WOULD BE SUPPLIED. SULLIVAN

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